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Central Intelligence Agency

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9 January 1980

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MEMORANDUM FOR: The President ✓
The Vice President
Secretary of State
Secretary of Defense
Assistant to the Secretary for
National Security Affairs

SUBJECT : USSR: Olympic Games Preparations

1. The attached assessment, USSR: Olympic Games Preparations, may be of interest to you in light of a possible Olympic boycott. CIA analysts believe that inside the USSR a boycott's heartening effects on some Westernizing dissidents would be offset by reinforcement of widespread tendencies to xenophobia. Internationally, a boycott would keep the Afghan issue alive and force the Soviets to face a continued barrage of criticism from some sections of the international community. However, the Soviets would also be able to play the role of an aggrieved party before a partially sympathetic international audience and to utilize international disagreements over the boycott to exacerbate tensions between the U.S. and non-boycotting (or reluctantly boycotting) states, probably including some close U.S. allies.

2. As for the economic loss from a boycott, we believe it would be small. In the main, losses would be confined to a reduction in hard currency revenues from tourism and broadcast rights. The Soviets expect hard currency revenues of an estimated \$250 million. Most of this income (perhaps at least two-thirds) is in hand, however, and the Soviets, in the event of boycott, would balk at refunding cash already received. All but \$5 million of the \$74 million paid for U.S. broadcast rights, for example, has been paid.

Foreign tourists wishing to attend the games (at least Americans) were required to prepay Olympic package tours by the end of 1979. Barring an outright cancellation of the games, Moscow would argue that foreign tourists were welcome regardless of individual country participation.


STANSFIELD TURNER

EXECUTIVE REGISTRY

FILE # C-140

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ER 79-10666, Copy No. 37

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80-302471

USSR: Olympic Games Preparations

An Intelligence Assessment

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ER 79-10666
GC 79-10120
PA 79-10577
December 1979

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National
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USSR: Olympic Games Preparations

An Intelligence Assessment

*Information available as of 7 December 1979
has been used in the preparation of this report.*

[redacted] of the Office of Economic Research, [redacted] of the Office of Geographic and Cartographic Research, and [redacted] or [redacted] of the Office of Political Analysis contributed to the preparation of this paper. This report was coordinated with the National Intelligence Officer for USSR-Eastern Europe. Comments and queries are welcome and may be addressed to Chief, USSR/Eastern Europe Division, OER, on [redacted]

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ER 79-10666
GC 79-10120
PA 79-10577
December 1979

USSR: Olympic Games Preparations (U)

Overview

The Soviet Union worked hard to obtain the right to host the 1980 Summer Olympics and undoubtedly considers it a showcase event of the first order. It is engaged in a massive effort to build and renovate 99 facilities, most of them in the capital area. Moscow probably will spend the equivalent of about \$3 billion, making the Summer Olympics the costliest to date. (U)

Moscow should be ready for opening day ceremonies, but only by reshuffling domestic construction priorities at a time when the country already faces a serious backlog of construction projects. Officials charged with balancing Olympic demands in the broader context have become increasingly critical of the amount of resources channeled into the Olympic effort. Construction workers have been imported from other areas of the USSR, and in some cases the USSR has contracted for foreign construction teams. Non-Olympic building in the capital has been curtailed to keep Olympic construction on track. (S)

The games will present the USSR with several problems. Handling the unprecedented number of foreign tourists represents a monumental task for authorities not attuned to Western travelers. In spite of increased hotel capacity, new restaurants, and a major effort to train Soviet personnel in Western tastes, Moscow will be like a tourist frontier town. Soviet leaders will also have to cope with troublesome political issues. Team accreditation issues such as Chinese and Taiwan, Israeli, and German representation are sure to surface as they do before every Olympiad. Perhaps of greater concern to organizers will be how to handle interaction between Westerners and Soviet citizens, including possible actions by dissident Soviet groups. (S)

On the economic front Moscow will benefit from (1) upgraded city facilities, (2) more housing after the games are over, and (3) improved tourist accommodations. Soviet officials can say realistically that the bulk of the non-sport facilities would have been built whether or not Moscow hosted the 1980 Olympics. Even Olympic-related facelifting falls under the Soviet interest in polishing Moscow's international image. As for new construction, the Olympic Village will be added to the city's stock of rental apartments while the main Olympic Press Center is scheduled to become the headquarters of the Novosti Press Agency. And by all accounts the new passenger terminal at Sheremet'yevo Airport and the new central post office also were badly needed. (U)

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Foreign participation is a key element in Olympic preparations in spite of Moscow's desire to keep the Olympics a Soviet show. In areas such as electronic support equipment and accommodations for tourists, the Soviets simply lack the expertise to meet Western standards. Orders for Olympic-related goods and services with Western suppliers have risen to an estimated \$500 million. (S)

The Soviets have launched an aggressive program to generate income to ease the hard currency strain caused by such outlays. Expected revenues of about \$250 million should offset about one-half of the projected hard currency Olympic costs; more than \$100 million will be obtained from television broadcast rights alone. Substantial sums also will be pulled in from foreign visitors; the Soviets, for example, require US travelers to sign up for package tours with a minimum 15-day itinerary in which Moscow is only one of several stops in the USSR. Even though hard currency revenues will fall short of costs, the Soviets have reduced the drain on foreign exchange reserves by making extensive use of low-cost Western credits. In effect, they have pushed their Olympic payments burden into the 1980s, when increased earnings from tourist facilities left over from the Summer Games will be available to offset loan payments due the West for Olympic purchases. (S)

Indeed, Moscow may well realize a net hard currency inflow from the Olympics: Our calculations show that, overall, the USSR's Olympic account could be in the black by next year. Beyond 1980, the Soviets could turn a profit even if the tourist utilization of the Olympic facilities averages only 25 percent between 1981 and 1985. (S)

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USSR: Olympic Games Preparations (U)

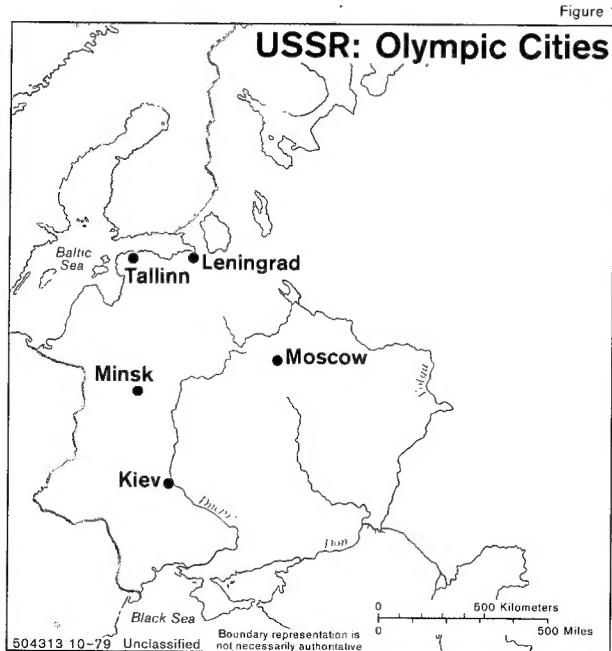
Introduction

The Soviet Union is well along with preparations for the 22nd Olympiad. The USSR looks forward to the international prestige it expects from successfully staging the games before worldwide audiences. The Olympic effort also represents a reshuffling of domestic priorities at a time when the leadership faces growing economic difficulties. In political terms, media coverage and large numbers of foreign visitors will open the Soviet Union to an unprecedented level of public scrutiny, in which actions by dissidents and contacts between Western tourists and Soviet citizens could become problems to Soviet leaders. This intelligence assessment discusses these issues and explores (1) the extent of Soviet Olympic preparations (the status of facilities and the resources mobilized to stage the games); (2) the economic costs faced by the USSR and the role of Western suppliers; and (3) the means by which the USSR is financing the games and its success in covering costs. (C)

Background

Tsarist Russia was involved in the Olympic movement from its earliest days: a Russian was one of the 12 founding members of the International Olympic Committee (IOC), and Tsarist athletes competed in several Olympiads between 1896 and 1912. Revolutionary Russia withdrew from the movement after World War I and organized its own Spartakiad (USSR Peoples' Games) and Red Sport International as alternative sport contests. The Soviets rejoined the Olympic movement following World War II when, after competing in several regional European championships, they sent athletes to the 1952 Summer Games in Helsinki. (U)

Although Khrushchev expressed interest in hosting the Olympic games as early as 1957, the first serious bid came in 1970 when the USSR competed against Los Angeles (which wanted the games as a capstone for the bicentennial celebration) and Montreal, the eventual



winner for the 1976 games. Four years later Moscow won the bid for the 1980 Summer Games over Los Angeles because of (a) Soviet guarantees to finance requisite sport and tourist facilities and (b) a general feeling among the IOC membership that the time had come to hold the games in a Communist country. (C)

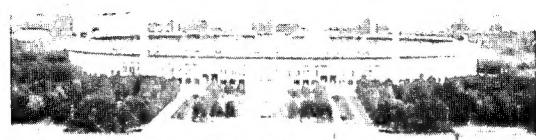
Organizational Structure

The 1980 Olympics presents an enormous challenge to the Soviet Union—in construction, management, provision of services, and security (figure 2). To deal with these challenges, Moscow established the Olympiad-80 Organizing Committee in March 1975. It oversees all aspects of the games—from construction of sports facilities to the organization of the games themselves, including fund raising, security, ticket sales, media relations, and personnel staffing. The Committee, working in part through commissions, coordinates the activities of Soviet ministries, enterprises, and other organizations in matters related to the games (figure 3). The Committee has been given

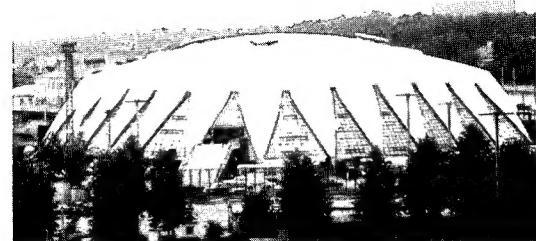
Figure 2



Misha, official Olympic mascot



Lenin Central Stadium



Druzhba Hall

Saturday, 19 July 1980 – Sunday 3 August 1980

The 22nd Olympiad Moscow, USSR

Official Sites

Main Events—26 stadiums and sports complexes in Moscow
Sailing—Tallinn
Soccer—Kiev, Minsk, Leningrad

Involves

12,700 Athletes
3,500 Judges
40,000 (estimated) Spectators
3,500 Correspondents
3,000 Broadcast technicians
2 billion Television spectators

Cost

US \$3 billion
(Gross hard currency earnings—\$250 million, hard currency outlays—\$500 million)



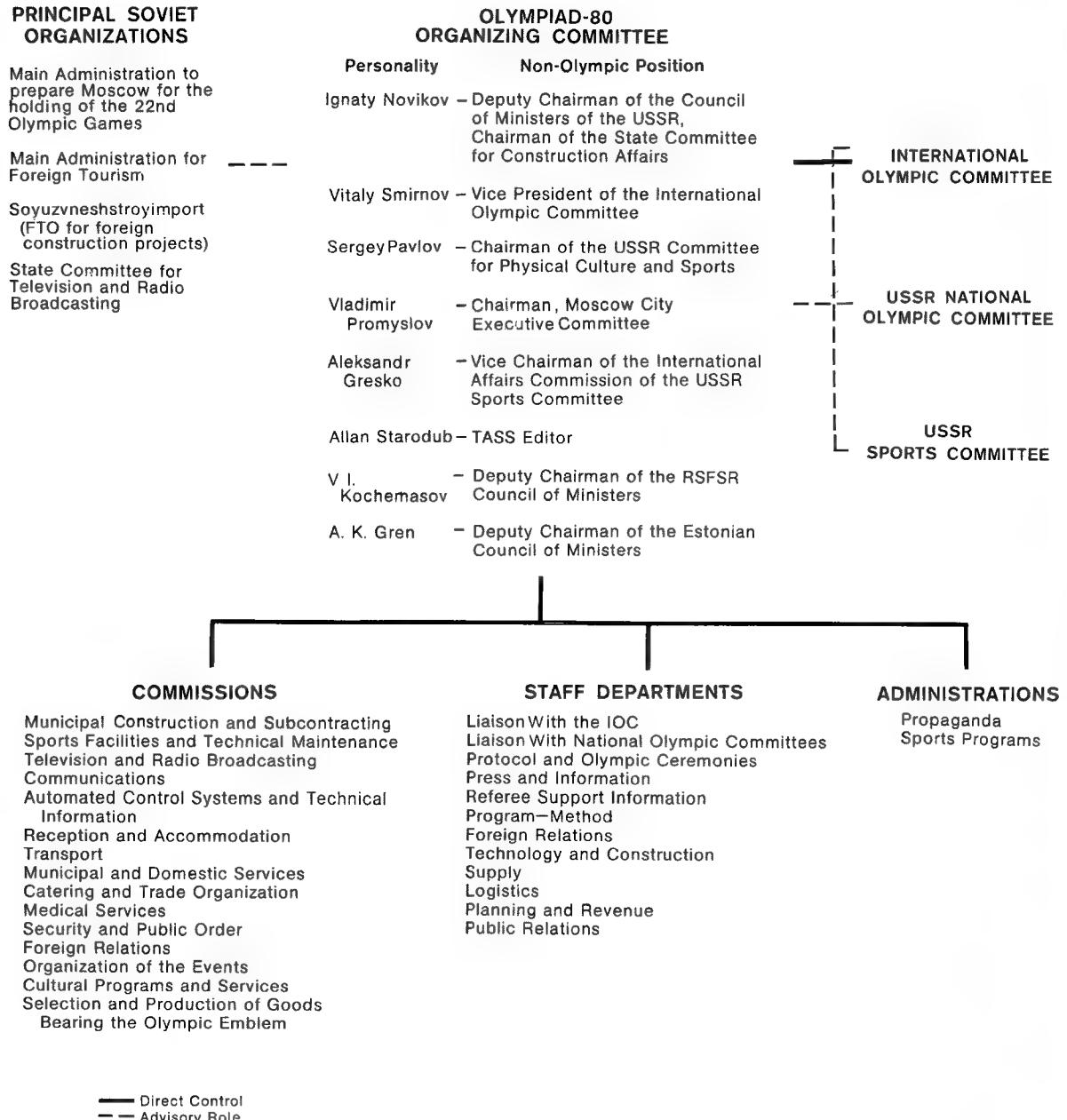
Olympic Village

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Organizational Structure of the 1980 Moscow Olympics

Figure 3



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foreign trade organization status so that it can deal directly with foreign firms to buy equipment and sell rights to Olympic symbols. Its Commission on Security and Public Order is headed by a Deputy Minister of Internal Affairs while the Chief of Intourist directs the Commission on Reception and Accommodation. The Committee also has separate administrations for Propaganda and Sports Programs and Staff departments for public relations, logistics, and liaison with other Olympic groups. Smaller subordinate organizing committees have been set up in other Olympic cities. (u)

Members of the Committee have been chosen for their skills, experience in sporting matters, and/or their clout in the government bureaucracy. The Committee's Chairman, Ignatiy Novikov, brings to the Olympic effort high-level experience in government and the construction industry. One of 13 deputies to Premier Kosygin and a voting member of the Central Committee, Novikov chairs the State Committee for Construction Affairs (Gosstroy) and is thus the highest ranking official of that industry. His appointment undoubtedly reflects the priority the government attaches to the completion of Olympic sports facilities and related building. Experience with past Olympics is being provided by the Committee's Secretary General, Aleksandr Gresko, who negotiated with the IOC in bringing the games to Moscow and served as the USSR's liaison officer to the Montreal Olympics. Other leading members include Sergey Pavlov, for 11 years Chairman of the Committee for Physical Culture and Sports and head of the USSR's National Olympic Committee; Vladimir Promyslov, Chairman of Moscow's Executive Committee; and Allan Starodub, a chief TASS editor. (u)

The Montreal Contrast

Montreal's 1976 Olympic preparations offer some object lessons for the Moscow effort in 1980. From the beginning, the Montreal Organizing Committee (COJO, for Comite Organisateur des Jeux Olympiques) strove to make the Olympic Park a spectacular artistic monument. It neglected to keep a tight rein on costs, maintain a realistic timetable, or avoid overly complex building methods. Minimal cooperation between the local organizers and the federal government in Ottawa—in part reflecting

strained feelings over the separatist movement—also added to Montreal's Olympic difficulties. Moreover, labor shortage and strikes compounded the effects of a late building start. As a result, (1) planned costs were exceeded by 500 percent, (2) the province of Quebec and the city of Montreal were saddled with an \$800 million debt despite COJO's original claim that the Olympics would be self-financing, (3) the Olympic stadium was embarrassingly incomplete when the games began, and (4) the facilities found little immediate use after the games. (u)

Moscow should be able to avoid many of Montreal's problems, in part because of inherent features of the Soviet system and the benefits from planning at the national rather than local level. In addition, strikes are rare in the USSR and the regime can employ youth labor and the military to expedite important projects and move manpower among regions and projects more easily than a market economy could. Soviet organizers also have viewed the Olympics from a different and longer perspective than did Canadian officials. The Soviets wish to minimize expenditures on facilities. In particular, they are avoiding building facilities that can only be used for the Olympics. (u)

The Spartakiad Experience

The recent Spartakiad was widely billed in both the West and Soviet press as a dress rehearsal for next year's games. By most accounts it was clearly a technical success in spite of a number of organizational difficulties that surfaced at the last minute. In addition to visa problems that prevented some athletes from participating in the games, the spartan facilities were criticized by the foreign athletes. Most other problems were minor. Difficulties reportedly were encountered with the information system, especially with translating names into the Cyrillic alphabet before entering them into computers and then recovering them in original alphabets. Because the main track at Lenin Central Stadium was not in good shape, times were well off both world and personal records. The buildings at Prospekt Mira were also not ready for use. Readily acknowledging these problems, Soviet officials say they will iron them out before the Olympics. (u)

Nonetheless, the Spartakiad was not a true test. Foreign representation was small, as few world class athletes from the West accepted Soviet invitations to compete. More important, spectators were not encouraged to attend; queried about the absence of spectators, Soviet officials blamed the poor showing on unseasonable weather. Thus a full blown test of Olympic readiness will not come until next summer when record numbers of tourists descend on Moscow. (u)

The Soviets as Hosts

Moscow will be facing a number of foreign political problems prior to the Summer Olympic Games: the dilemma of China and Taiwan, the participation by nations not recognized by or unfriendly to the USSR, the participation of the Federal Republic of Germany and West Berlin, and the threat of a Third World boycott. The leadership also realizes that the unique publicity of international sport provides a danger of ideological contamination as well as an opportunity for national exhibition. It will be difficult for the Olympic host to keep tourists from observing (and judging) the Soviet lifestyle and standard of living. It may also be hard to conceal from their own citizens the conspicuous wealth foreigners will display at the games. Nevertheless, the Soviets have committed their international prestige to holding the games and, on balance, we think they will want the games to go forward with as little incident as possible. (u)

The Team Credentials Issue

Most of the issues involving representation have carried over from past Olympics. They put the USSR in an especially uncomfortable position, however, because in the past it has openly favored one participant in each of the controversies. (u)

China-Taiwan. In late November the IOC approved a resolution that assures the participation of a PRC team in Olympic competition. The People's Republic of China would be allowed to participate as a legitimate member of the IOC. Taiwan, which would not be allowed to use its flag or anthem, would compete under the aegis of the "Taipei Olympic Committee of China." The IOC decision comes close to meeting Beijing's demand that its team be the only Chinese

national team. Moscow wants the PRC to participate in the games without incident, and would particularly relish any propaganda benefits it might gain in pursuit of improved relations with China. To allow Taiwan, but not Beijing, into Moscow would have provided a spectacle of the world's first "socialist Olympics" without the presence of the world's most populous Communist state. (u)

Israel. It is too early to predict how the Soviets will handle the issue of participation by nations they do not recognize, such as Israel. The Soviets do not have a flat policy of boycotting contacts with Israel. Although they did not invite Israel to the Spartakiad games this summer, Moscow on many other occasions has hosted Israeli groups and delegations. Since sporting relations involve only tacit diplomatic recognition, the Soviets could admit Israeli athletes and still maintain an official policy of nonrecognition and opposition to Zionism. Moscow could explain its action by citing the Olympic Code. According to the Code, individuals participate as private individuals even though they may march in opening and closing parades in national groups and with national symbols—such as anthems and flag hoistings. If Moscow did this, it might accompany its action with stepped up anti-Israeli propaganda. (u)

West Germany/Berlin. Citing the Olympic Code could also be a way for the Soviets to handle the question of participation in the games by athletes from West Berlin and West Germany. Despite the existence of two German teams, West Germany still sends its athletes to sporting events in uniforms reading "Deutschland," espousing the theme that it is the true representative of the German nation. Under Soviet pressure Bonn has apparently agreed to send its athletes to Moscow in "West German" uniforms. Although the USSR does not recognize West Berlin as part of FRG territory, Moscow, in return, has agreed to the presence of West Berlin Olympic athletes on the West German team. The Soviets still could require the West Berliners to be singled out in some manner, perhaps by proposing a formula under which they would march as a separate unit behind the West German delegation. (u)

Third World Boycott. The fear of a Third World boycott of the games is a worry to Moscow. (At the Montreal Games athletes from 28 African countries and Guyana and Iraq walked out rather than compete against New Zealand, which had sports ties with South Africa.) To ensure Third World attendance, the Soviets recently reaffirmed their intention to ban South Africa and Rhodesia from the 1980 Olympics. The Chairman of the Soviet Olympic Committee, Ignatiy Novikov, has said that the Soviet Union, agreeing with the African nations, "actively advocates the exclusion of the racists of the Republic of South Africa and Rhodesia from *all* international sports federations." To ensure future Third World good will and participation in the Olympics, Moscow may pick up the tab for many of the Third World teams as it did for Spartakiad. (u)

Internal Control Problems

Moscow's first priority for the 1980 Summer Olympics clearly is to present to the world a smoothly run, efficiently produced pageant. To accomplish this, the regime must be prepared for the security problems created by the multinational aspect of the games and the incursion of foreign tourists and reporters. In addition, the authorities must deal with the expected demonstrations by Soviet dissidents and human-rights activists and protests from foreign countries and organizations in such a way as to minimize unfavorable publicity. (u)

The Committee for State Security (KGB) and the Ministry of Internal Affairs (MVD) have the primary responsibility for ensuring a trouble-free Olympiad. Their personnel will be increased during the games, particularly in Moscow, to cope with the large crowds and to provide surveillance of likely troublemakers. Tight control of internal travel will keep unauthorized Soviet tourists out of Moscow, and tickets for the competitions will be distributed internally by trade union and youth organizations. (u)

Effective control can be maintained over most of the foreign visitors through the usual Soviet restrictions on hotel and travel reservations. The USSR hopes to prevent an embarrassing tourist overflow by strictly controlling—via a fairly rapid turnover—the number of foreigners in Moscow at any one time. Western countries are being allocated a set number of visas for

travel to the USSR during the games, with allocations based on the size of the nation's Olympic contingent, its population, and the number of tourists from the country that have traveled to the Soviet Union in the past. Only travelers who have accommodations reserved through Intourist via the officially designated travel representative in their home country will be granted visas. (ex)

The United States has been allocated the largest block of these visas (18,000) while West European countries will get about 50,000. Each of the 8,000 beds in the city set aside for Americans during the Olympics will turn over two to three times during the 16-day Olympics. Each American tourist must sign up for a two- or three-week tour allowing for only six nights in Moscow. Time not spent at the games will be filled with tightly scheduled sightseeing, lectures, and concerts. Foreigners who succeed in breaking away from their tour groups to strike out on their own can expect close surveillance. (ex)

From Moscow's point of view, the most troublesome foreign visitors will be found among the approximately 3,500 newspaper and television reporters covering the games. To keep reporters under control, ultramodern press centers have been set up to provide them all the information they should need on Olympic activities and all accredited journalists are to be housed at the new Kosmos Hotel. The authorities, no doubt, will attempt to restrict the media to certain Olympic areas, but preventing all contact between reporters and publicity-seeking dissidents may prove difficult. NBC, for example, reportedly plans to use five mobile vans as part of its television coverage. (ex)

The determination of Soviet dissidents, refuseniks, and emigre groups to use the Olympics as a platform for publicity could prompt the authorities to take preventive action before the games begin. The most troublesome dissidents will probably be removed from circulation before the games. Although some may be arrested and charged with a violation of the Criminal Code, the majority will most likely simply be detained indefinitely outside Moscow, without having formal charges lodged against them. In a possibly related development, the Moscow dissident community noted increasing harassment of Jewish and human rights activists in the fall of 1979. (ex)

The regime probably does not look for trouble from the ordinary Soviet citizen during the Olympics. Nevertheless, recent decrees from the Central Committee of the Communist Party of the Soviet Union, on improving the maintenance of law and order (September 1979) and on strengthening ideological indoctrination (April 1979) have implications for control of the Soviet public during the games. For example, the law and order decree came down hard against drunkenness, a problem which is often obvious to visitors to the Soviet Union. A followup editorial in *Pravda* attacked failures by law enforcement units in reducing crimes in public places, a certain embarrassment if Olympic tourists are victims. (u)

Two members of the top leadership already have directly warned the Soviet public to beware of ideological contamination from Olympic visitors. In May 1979, Moscow city party chief Viktor Grishin advised Muscovites who come in contact with these visitors to stress the advantages of the Soviet way of life and at the same time rebuff "propaganda of ideas and principles alien to us." Georgian party chief Eduard Shevardnadze was even blunter when he told a meeting of republic party officials in June 1979 that "forces" in the world were preparing "not only for sporting battles but also political and ideological battles" and that groups hostile to the Soviet Union intended to use the Olympics to carry out "ideological sabotage." Such admonitions will probably increase as the opening of the games draws nearer. (u)

Students in Moscow are being warned to stay away from Olympic tourists, who, the authorities claim, are hostile to the Soviet lifestyle. Youngsters are being told to report offers of gifts to local authorities. According to some sources, school children already are being signed up for summer camps and excursions out of the city, and the school term will end one month early. ~~(c)~~

Other measures may be aimed at preventing the overuse of limited accommodations and services during the Olympics and to avert a run on consumer goods "on display" to impress Westerners. There have been rumors that Moscow would be transformed into a coupon zone for the Olympics to prevent Soviet citizens from buying up consumer goods supplies. A Soviet foreign trade bank official, however, has published a denial of these rumors. ~~(c)~~

Finally, Soviet authorities are showing increased interest in procuring surveillance devices from Western firms. This past summer, a West German representative of a US firm received a request for a quotation for 1,000 transmitters and 10 automatic direction finders.¹ The possibility of any kind of terrorist strike like that at Munich in 1972 seems minimal, given the strictness of the Soviets' system and the controls placed on the influx of tourists. ~~(c)~~

The Cost of the Olympics

Soviet Olympic planners believe they will be in a strong position to reap the benefits from a showy international event. Above all, the USSR wants to present a first-class sporting event in a well-groomed city. Nevertheless, the estimated \$3 billion price tag for the Olympics—by far the costliest to date—is sure to add fuel to the fires of Western critics who argue that the modern-day games are too expensive and unwieldy to continue in their present form. (Concern over spiraling Olympic costs has led Los Angeles organizers to emphasize financial skills in searching for an executive director.) In Moscow too, financial aspects are receiving increased attention from officials acutely aware of the "financial disaster" label so widely pinned on the \$1.5 billion Montreal Games. Vladimir Alkhimov, Chairman of the USSR State Bank, is one of several high-ranking officials who have voiced concern that the Olympics would be a net loss and divert too many resources to Moscow. ~~(c)~~

Strenuous Construction Effort

In all, 99 officially designated Olympic construction projects are under way to provide sports, hotel, transportation, and other service facilities—76 in Moscow (see figure 11, inside back cover) and the rest in four other cities where events will occur: Tallinn, Leningrad, Kiev, and Minsk. Based on progress to date and the current pace of construction, we believe all Olympic and related projects will be ready for opening day ceremonies. (u)

Sports Facilities. Several entirely new sports complexes are being constructed and many existing ones are being renovated throughout Moscow. In addition to the Olympic Village, the city has officially desig-

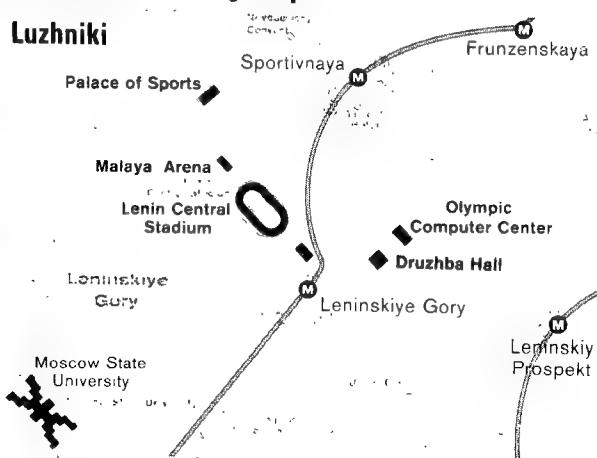
¹ See SI WR 79-040, 1 October 1979, ~~Confidential~~

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Figure 4

Moscow Olympic Sites

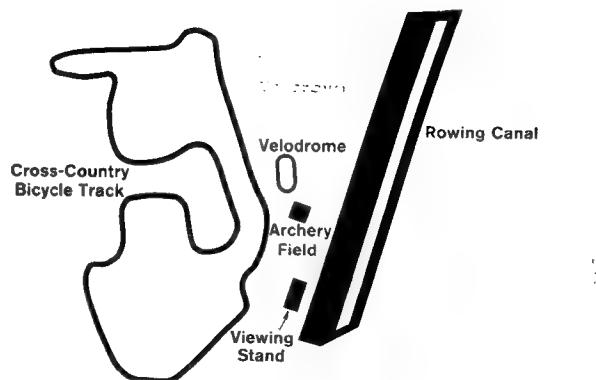
Luzhniki



● Metro (subway) station
■ Metro transfer station

0 1 Kilometer
0 1 Mile

Krylatskoye



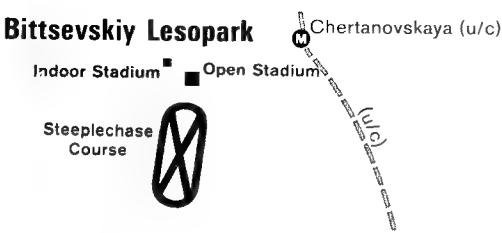
Prospekt Mira



Leningradskiy Prospekt



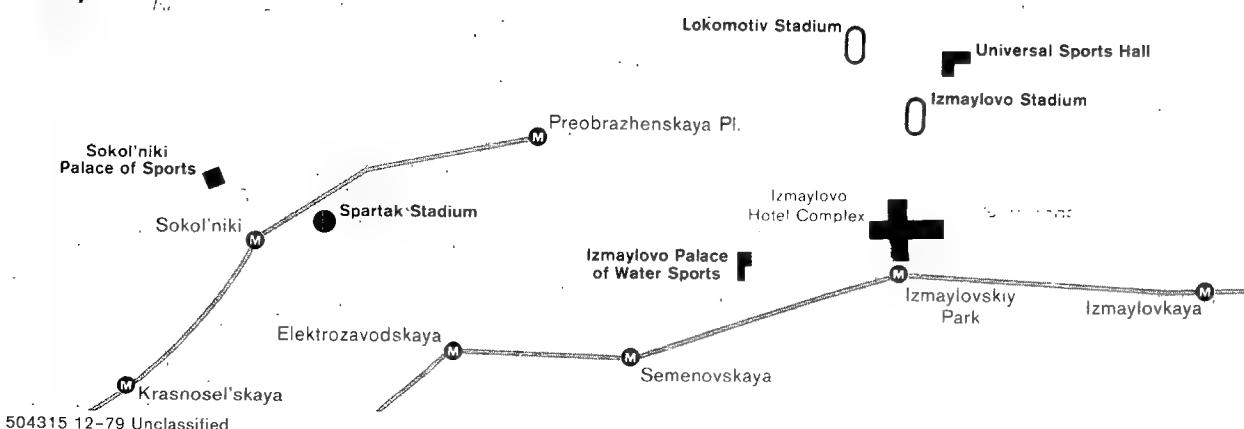
Bittsevskiy Lesopark



Olympic Village



Izmaylovo-Sokol'niki



504315 12-79 Unclassified

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Luzhniki Panorama

Figure 5



Unclassified

nated several Olympic sports centers: Luzhniki in the southwest, Prospekt Mira in the north, Krylatskoye in the west, Leningradskiy Prospekt in the northwest, Bittsevskiy Lesopark in the northwest, and Izmaylov-Sokol'niki in the northeast. (u)

The 180-hectare *Luzhniki complex*, across the river from Moscow State University, is the premier Olympic site. The opening and closing ceremonies will be held in the Lenin Central Stadium at Luzhniki. The stadium's exterior has been bolstered with additional concrete supports; and new seats, lights, press boxes, an overhang covering part of the grandstands, and an artificial playing surface have been installed for the games. To the southeast is Druzhba Hall, a new multipurpose gymnasium whose facade makes it appear like a giant crab. This hall was completed in 1979 and was first used to host volleyball competitions during the recent Spartakiad. Other competition sites in Luzhniki include the Malaya (Small) Arena, a previously open-air facility which has been covered, and the Palace of Sports and a swimming pool, both of which have been renovated. (u)

On *Prospekt Mira*, just outside the Garden Ring Road that encircles downtown Moscow, stands the largest new sports complex—a covered stadium with grandstands for 35,000 spectators and an adjoining arena for

water sports. Construction of these facilities had lagged far behind that at other sites, but an accelerating effort during the past year has brought substantial progress. In May 1978, the stadium—slightly larger than Washington's Capital Centre—was a skeleton of steel girders, but one year later the structure was externally complete. Much work still needs to be completed inside and around this as well as the adjacent swimming arena. During the games, the stadium will be partitioned to hold boxing and basketball competitions simultaneously. The main swimming and diving events are scheduled for the arena. Located near museums and theaters, this new complex will be a focus for sports and cultural activities after the Olympics. (u)

Krylatskoye, in western Moscow, houses another new, architecturally impressive structure, the Velodrome. Built in an elliptical shape that mirrors the enclosed track, it will host indoor cycling events. Nearby, the 13.5-kilometer, asphalt-surfaced cross-country bicycle track and archery fields have been completed. The world-renowned manmade rowing basin was constructed here in 1973, and extra seating has recently been added to the grandstands at the end of the 2.3-kilometer long course. (u)

Velodrome



Figure 6

Unclassified

The *Leningradskiy Prospekt Sports Complex* comprises facilities of two sports clubs, Dinamo and Central Army. Modernized facilities at Dinamo include a 56,000-seat stadium and the Malaya Arena. Across the road, at the Central Army Sports Club, a large structure enclosing two separate arenas was first used for competitions during the Spartakiad. Nearby, a multipurpose gymnasium is being constructed; during the Olympics it will be the site of the women's basketball contests. (u)

Equestrian competitions will be held at *Bittsevskiy Lesopark* (Forest Park). All the facilities here—the show ring, grandstands, stables, and the steeplechase course—are being specially built for the Olympics. In *Izamaylovo*, adjacent to the Central Institute of Physical Culture, a universal sports hall is being built and a soccer stadium has been reconstructed. Several kilometers to the west, at *Sokol'niki*, the Palace of Sports is being enlarged. (u)

Several other sites will be used for Summer Games events. In *Mytishchi*, a northeast suburb, the Dinamo shooting club has been renovated and in *Khimki-Khovrino* a new universal sports hall is almost finished. In addition to the construction and improvement of sports facilities in Moscow, soccer stadiums have been modernized in Leningrad, Kiev, and Minsk, and a

yachting center has been developed in Tallinn. All will host Olympic competitions. (u)

Accommodations. More than 12,000 foreign athletes, coaches, and trainers will be housed at the new Olympic Village in the rapidly developing residential area of southwest Moscow. Three groups of six 16-story apartment buildings are nearing completion, together with nearby training facilities, restaurants, stores, and cultural and medical centers. The Olympic Village will be converted to a microrayon (a self-contained community of apartments and service facilities) that will house 15,000 people after the games. Another smaller Olympic Village—for 600 people—is being completed in Tallinn. Remarkable progress has been made at the Moscow site, which in mid-1977 was in the earliest stage of construction. The Olympic Village was modeled after an existing Soviet apartment-house series and the prefabricated units being used here were already in production. This decision, coupled with the top priority given to Olympic projects in terms of manpower and materials, greatly enhanced construction. Unlike most Soviet construction, the quality of workmanship appears to be quite high. (u)

Izmaylovo Complex

Figure 7



Confidential

The Soviet record in building tourist facilities is not as good. Receiving the anticipated 600,000 visitors (including 200,000 from overseas) will strain Moscow's resources to the limit. Aided by foreign construction teams, Soviet construction organizations will add 10 hotels in Moscow and increase the city's total capacity by nearly 25,000, to a total of 75,000 accommodations (table 1). One of the largest hotel complexes in the world is nearing completion at Izmaylovo in northeast Moscow, where five 30-story units will house 10,000 visitors during the games. Large campgrounds, including one for international youth groups, and several motels are being built on the outskirts of Moscow. New dormitories with space for 40,000 will be used to house Soviet visitors. In addition, several floating hotels, ordered from a Finnish shipbuilding firm, will be used for Olympic tourists. (u)

The 75,000-bed hotel-capacity figure is well below original plans of Soviet organizers who initially envisioned a doubling of hotel space in Moscow to accommodate 300,000 foreign visitors (100,000 at any one time). Late construction starts, protracted negotiations with Western firms over quality control, and the need to use non-Soviet labor, however, led the Soviets to scale back plans for 20 or more new hotels in the capital with 45,000 to 50,000 beds to 10 hotels with 25,000 beds. (e)

Among the new hotels being built, only the Kosmos will be luxury class. Overall, only about two-thirds of the 75,000 total beds available in Moscow will measure up to Western quality standards and that number will be reduced further by the need to reserve rooms for IOC officials, newsmen, and Soviet VIP guests. Many Soviet hotel rooms lack the amenities taken for granted by Westerners such as room service and private baths. Accordingly about 30,000 Western foreign tourists will be the maximum the city's hotels can handle at any one time. Visitors from Eastern Europe and Third World countries will be put up in the poorer quality hotels and will have to rely on other accommodations, especially university dormitories, student hostels, and camping facilities. (e)

As plans have changed, the Soviets have pared the number of foreign spectators that the USSR will allow into Moscow during the games. From an original estimate of 300,000, the number expected has steadily dropped. In 1978 the Soviets were anticipating 240,000 visitors. More recently a Western source put the figure even lower, at only 160,000 visitors.²

~~(C NE PP)~~

Table 1**USSR: New Olympic Hotels**

Name	Capacity (Number of Beds)	Comments
Moscow		
Izmaylovo	10,000	In northeast Moscow near Izmaylovo Park; five 30-story units.
Sevastopol'	3,600	In southern Moscow near Bittsevskiy Lesopark; four 16-story buildings. Built by Yugoslavs.
Kosmos	3,500	In northern Moscow; 25 stories; built by a French firm; will house television personnel during the games.
Salyut	2,000	In southwest Moscow; 24 stories.
Vesna	1,600	In northern Moscow; 22 stories; designated an international youth hotel.
Dom Turista	1,300	In southwest Moscow; 33 stories.
International Airlines Complex	900	In northwest Moscow; nine stories; includes offices for international airlines.
Sport	700	In southwest Moscow; 22 stories; will house Olympic judges.
Soyuz	400	In northwest Moscow; 12 stories; built by Yugoslavs.
Bittsevskiy Lesopark	150	In southern Moscow.
Leningrad		
Pribaltiiskaya	2,500	On Vassilievsky Island; built by Swedes.
NA	226	On Krestovskiy Island; two seven-story buildings.
Pulkovaskaya	500	Built by Finnish consortium.
Kiev		
Rus	900	Near Central Stadium on Cherepanov Hill.
Tallinn		
Olympic	850	On Kingiseppa Street; 26 stories; built by Finns.

Now that early plans to set up US-style fast food restaurants have been rejected, the Soviets plan to erect temporary dining halls near tourist accommodations, athletic facilities, and parks and to install automated vending machines at the main Olympic stadium and the primary tourist airport at Sheremet'yevo. New restaurants and cafes also are being built and existing ones renovated and expanded. (u)

Communications. Several new communications centers are being constructed for the Olympics. The seven-story Olympic Press Center on Zubovskiy Bul'var near the city's center, will provide facilities for 3,500 journalists. After the games, the center will house the Novosti Press Agency and the Soviet Journalists' Union. The Ostankino television complex is being enlarged with the addition of a broadcast building for the Olympic Television and Radio Center. In Luzhniki, near the universal sports hall, a technical control center will house computers and serve as the official broadcast information center. An international long-distance telephone switching center and two new post offices are also being built in other areas of Moscow. All these facilities are either completed or nearly so. (s)

Transportation. Transportation will be critical during the Olympics, as competition sites are scattered throughout most of Moscow. The main transportation link will be the well-developed and expanding Moscow subway. Three major Olympic sports areas—Luzhniki, Prospekt Mira, and Leningradskiy Prospekt—are next to subway stations, and other sites are short distances from the nearest stops. International airline arrivals and departures will use Moscow's new Sheremet'yevo-II Terminal, still under construction. Two other Moscow airports, Domodedovo and Vnukovo, and one at Tallinn are being expanded. Roads are being improved, and bridges, bypasses, filling stations, and rest areas built. Officially designated Olympic highway routes are being widened and improved within Moscow, and new avenues are being built to tie the Olympic Village and Prospekt Mira complexes to existing streets. A computer-controlled traffic system is being installed and fringe parking lots are planned for the outer Ring Road to relieve

~~Confidential~~

Kosmos Hotel



Figure 8

Unclassified

Press Center

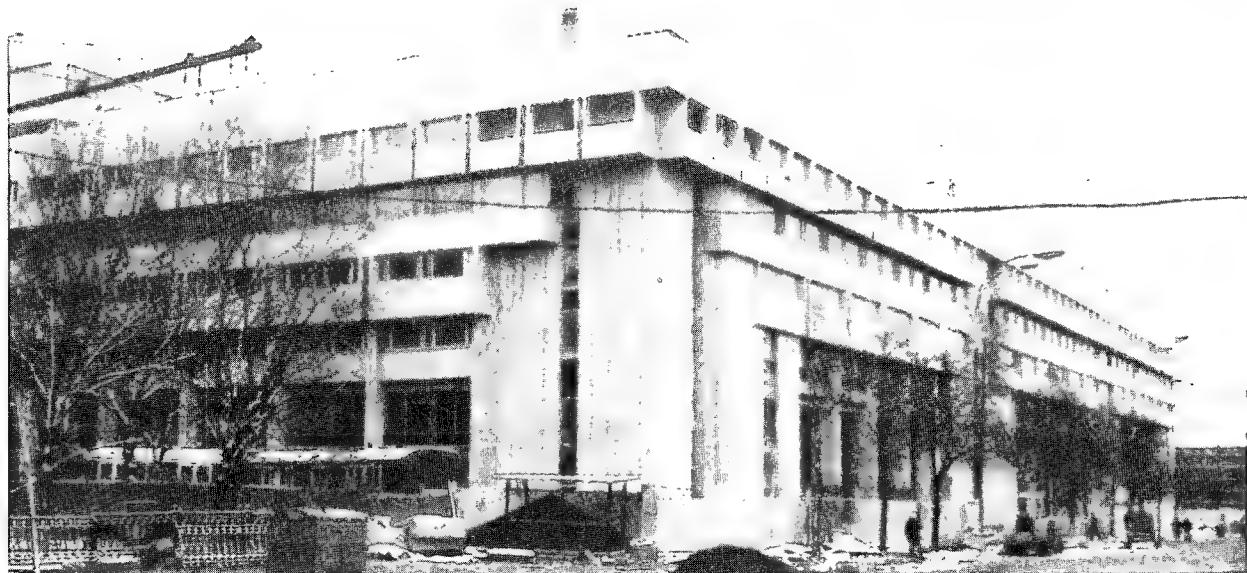


Figure 9

Unclassified

expected downtown congestion. The city is also being given a face lift with tree plantings and new parks and gardens. (u)

Labor Mobilized for the Olympics

To complete the Olympic building program described above, the USSR has had to assemble considerable construction resources. Olympic Committee Deputy Chairman Koval has indicated that Olympics construction amounts to over 30 percent of construction in Moscow. The desire to finish the sports complexes, tourist accommodations, and other civic improvements in time for the games has led to a reallocation of resources away from non-Olympic endeavors, especially in the construction sector. Nonetheless, we have no evidence that non-Olympic priority construction has been slowed by the current Olympic push; for the most part lower ranking projects have been affected. Skilled workers such as masons and electricians are being transferred or lured to Moscow to expedite lagging Olympic construction, a process which has probably exacerbated problems in already labor-short areas such as the Far East and Siberia. (c)

Despite the diversion of workers to Moscow the manpower shortage in the building trades reportedly continues. In late 1978 a representative of a West German construction firm was told by a Moscow deputy mayor that the local construction industry was short 20,000 workers, or about 10 percent of Moscow's total construction labor force. The strains associated with labor shortages are being alleviated in part by the allocation of 23,000 Komsomol volunteer youths and army troops to Olympic site construction. Moreover, some priority projects have simply been turned over to foreign construction firms:

- A Finnish company, Perusyhtyma, signed an \$8 million contract to complete a hotel for Olympic tourists in Tallinn whose frame was put up by Soviet builders. Two-hundred fifty Finnish workers are to have the hotel ready by the end of May 1980.
- The contract for the Kosmos Hotel was a turnkey deal with the French providing all labor, supplies, and architectural and engineering services. Finnish firms have been awarded similar deals.

- West German contractors were given the go-ahead to build a new passenger terminal at Sheremet'yevo Airport.
- Yugoslav labor is being used to build two Moscow hotels. (c)

Some non-Olympic projects have been curtailed in the Moscow area as labor has been reallocated. Residential building has slowed, and moratoriums have been placed on other planned construction, including medical facilities, telephone systems, and most administrative buildings. A Western visitor to Moscow has noted an apparent halt on building new medical facilities and additions to existing hospitals and institutes.³ Gosplan officials reportedly complain that the shift toward Olympic priorities is disrupting planning and wasting labor and productive capacity.⁴ (c)

Aside from the construction activity, the Soviets are training workers to cater to foreign tourists. Vitaliy Smirnov, a Deputy Chairman of the Moscow Organizing Committee recently indicated that 150,000 additional people would be required to handle the crowds expected in Moscow.⁵ They reportedly plan to train 7,000 new cooks in Western tastes. The success of the ambitious feeding plan depends on the ability of the Catering Department of the Light Machinery and Food Industry, which will supply food for Olympic tourists, to meet Olympic-related demands while operating under the constraint that all food for the games must be of Soviet and East European origin. The Soviets reportedly have already begun to stockpile some foodstuffs for the games. (c)

In an equally ambitious undertaking, 4,500 Moscow taxi drivers and many restaurant headwaiters are being trained in basic English, German, French, and Spanish. Sefri, the French builder of the Kosmos Hotel, is sponsoring a one-year training program in French hotels for its future Russian chefs, waiters, maids, and porters. Intourist is doubling the number of guides and translators available to foreign visitors, drawing on university students currently receiving

foreign language training. The Soviets estimate 25,000 translators will be required. (C)

Adding Up the Costs

Soviet officials have shied away from discussing the cost of Olympic preparations. Because they plan to use existing facilities extensively, the Soviets originally estimated costs for the sports complexes alone at about 200 million rubles (about \$420 million converting at 1976 construction purchasing-power-parity ratios).⁶ This value, however, does not include the substantial investments required for the Olympic Village, tourist facilities, and other supporting structures such as the main press center and the new post office. Adding in the costs for this construction would raise the total Olympic bill considerably. (S)

Western press reports have speculated that the real cost of the Olympics could go as high as \$6 billion, a figure which appears excessive in view of Soviet attempts to keep a fairly tight rein on costs. The USSR leadership has scaled back plans for new hotel construction, and Soviet purchasing agents negotiating with Western firms have repeatedly complained of tight budgets and limited funds. (C)

Given the heavy Soviet reliance on existing renovated sports facilities and known new construction, we believe a more realistic cost estimate for the Olympic effort is the 1.5-billion-ruble figure for Moscow cited by Vladimir Promyslov, Chairman of the Moscow City Executive Committee (about \$3 billion converting at ruble/dollar construction rates). Adding the cost of hosting activities outside Moscow at the other Olympic sites would add but a few hundred million dollars to this figure. (S)

According to numerous Soviet officials, Olympic organizers are trying to minimize the role played by foreign firms in game preparations. No doubt this reflects security concerns and a desire to keep the games a Soviet affair as well as the need to balance Olympic needs against other economic requirements in

⁶ For a detailed discussion of the methodology for converting and deriving 1970 ruble/dollar ratios, see ER-76-10068, *Ruble Dollar Ratios for Construction*, February 1976, Unclassified. These ratios have been updated to 1976 rubles and dollars and appear in *The Joint Economic Committee Compendium*, Vol. I, "US and USSR: Comparison of GNP," 10 October 1979, Unclassified. (U)

allocating scarce foreign exchange. At first the Soviets targeted Eastern Europe as the source for 20 percent of the equipment and services with only 5 percent to be supplied by Western firms. The rest was to be provided by more than 600 Soviet enterprises reportedly providing support to the Olympics. (U)

Moscow has, in fact, placed substantial Olympic orders in Eastern Europe and other soft currency countries—principally in Hungary, Yugoslavia, and Finland. In Hungary alone Soviet orders have approached \$100 million. Hungary, among the most advanced of the East European countries in producing electronic technology, doubtless has benefited from its role as a supplier to past Olympic events, especially to the Montreal Games. The deals with Budapest for which we have information focus on electronic equipment ranging from tape recorders, amplifiers, lighting fixtures, and control monitors for new broadcast facilities to information boards for posting event results. (U)

Yugoslavia and Finnish firms have been most heavily involved in Olympic construction projects. Yugoslavia was awarded the contract for the Sevastopol' Hotel and the smaller Soyuz Hotel while Yugoslav labor was subcontracted for the French-built Kosmos Hotel. Because of its location, Finland enjoys a natural advantage over other foreign firms competing for work in Tallinn. Aside from construction the Finns are providing radio telephones for security and medical communications and fire protection equipment for the computer centers set up for the games. Information on contracts with the remaining East European countries is scant. A Polish firm is providing electronic broilers for restaurant catering services; a number of small deals have been noted with some Romanian firms. Reports of East German contracts have been conspicuously absent. (U)

While there will be no golden arches in Moscow, foreign suppliers are making a substantial input into the games, and more than Moscow planned. To date, Soviet planners have placed orders with Western firms for an estimated \$500 million worth of equipment and services. The figure would be higher but for the successful Soviet solicitation of free equipment and

services in exchange for "official supplier" status. Our \$500 million figure is based on known orders valued at about \$450 million, including financing (table 2). We believe the tally includes all major Olympic projects in which Western firms are involved; we have added 10 percent to account for smaller contracts which were probably signed but for which we have no information. The largest contracts involved various computer systems, color TV equipment, communications equipment, and construction of a number of hotels and tourist facilities. (S)

More than half of the \$500 million in orders for goods and services from Western suppliers have been placed in France and West Germany and less than \$5 million, or 1 percent, in the United States (see appendix A for a listing of contracts with Western suppliers).⁷ French businessmen, supported with official low-cost credits, have been the most successful in winning Olympic orders. In addition to the \$120 million deal for the 3,500-bed Kosmos Hotel, French firms have been supplying \$40 million worth of color TV cameras and mobile communication equipment and nearly \$30 million worth of computers. German sales revolve around the \$94 million contract for the new Sheremet'yev Airport passenger terminal. A wide array of smaller deals ranging from outfitting the Olympic Village discotheque and hairdressing salons to TV support and the sale of goods and services by Daimler-Benz is also being supplied. Japan is the third leading Western supplier, providing more than \$20 million worth of broadcast and electronic equipment. (S)

Only a handful of contracts—for lab testing equipment, artificial track surface materials, and a reservation service minicomputer for the Kosmos Hotel—were signed with US firms. A combination of factors accounts for this weak showing: (1) lack of competitive financing, (2) aggressive competition from West European and Japanese suppliers who have comparable technology, (3) Soviet reaction to delays in approving export licensing for the TASS computer deal (finally

⁷ The US number only includes direct purchases. Excluded from the tally are lease/rental deals and equipment being taken to the USSR by US firms which are to be removed after the games end, the totals of which may be substantial. A review of US license applications, for example, shows more than \$20 million worth of video recorders alone have been ordered for the Olympics: we do not know how many of these have actually been sold. (S)

Table 2

**USSR: Selected Olympic Contracts
With Western Suppliers**

Country and Firm	Million US \$	Purpose
West Germany		
Saltzgitter, Hermann	84.8	Sheremet'yev Airport Terminal
Reutter		
Thyssen	6.6	
Siemag Rosenkaimer	2.8	
Maschinenfabrik	5.9	Laundry equipment.
Herbert Kannegger		
Daimler-Benz	1.1	Vehicles.
France		
Sefri	120.0	Kosmos Hotel.
Thompson	40.6	TV cameras/ communications units.
Sodetag	18.6	TASS computer system.
IBM Trade Develop- ment	10.9	Computer.
Japan		
Iwasaki Electric	3.0	Stadium light production line.
Nippon Electric	17.0	Minicomputers for TV relay facilities.
Hitachi	0.3	Elevators for Tallinn TV towers.
United Kingdom		
ICL Computers	2.0	Olympic results system.
Rank Xerox	2.5	Copiers; duplicating equipment.
Marconi Instruments	1.5	Television monitoring control equipment.
EMI Sound & Vision Equipment	0.9	Electronic equipment.
Multitone Electric	1.2	Digital paging system.
Edgar Pickering	2.1	Carpet-making machinery.
United States		
Minnesota Mining & Manufacturing	2.2	Tartan track material.
Hewlett-Packard	0.9	Lab drug testing equipment.
NCR	0.7	Computer system for Kosmos Hotel.
Sweden		
L. M. Ericson	5.0	Telex system.
Austria		
Siemens Osterreich	4.8	TV console equipment.
Belgium		
Siemens A. G. Osterreich	4.0	Intercom system.

turned down), and (4) Soviet decisions to scale back the scope of foreign purchases (Soviet planners, for example, scrapped plans to sign up Western fast-food restaurant service firms because of mounting foreign costs and because they viewed such investments as of marginal value). (S)

The US presence will not be missing in Moscow, however. Numerous American as well as other Western firms have purchased "official supplier" status to the 1980 Olympics either for the title's advertising value or to help the firm break into the Soviet market. Agreements between the Organizing Committee and Western suppliers specify the donation of cash, products, or both; the values involved depend on the goods' importance to the Soviets and/or the level of competition for exclusive supply rights. Most cash donations have been in the \$100,000 to \$250,000 range, but Coca-Cola paid \$6 million in cash and is providing \$4 million in beverage concentrate and a new bottling plant for the exclusive right to supply soft drinks at the Olympics (a position the company has held since 1928). Similarly, Levi Strauss is donating 23,000 sets of blue jeans and jackets for officials and workers attached to the games. (C)

Firms dealing in expensive, high-technology products, to whom publicity is of little value, have shown little interest in becoming official Olympic suppliers. The Soviets have had to purchase computers and telecommunications equipment. The exceptions are those situations where supplier agreements are part of a larger agreement combining the sale of a Western company's product along with a donation-in-kind—for example, the sale of photographic supplies by Kodak-Pathe (France) and sports uniforms by Adidas (FRG). (U)

Moscow has been experiencing some problems with Western supplied equipment. Both a computerized air traffic control (ATC) system for the Moscow region and a message-switching computer for the Soviet news agency TASS may not be ready for next summer's Olympic Games. The Soviets preferred and initially planned to purchase US equipment for these projects. Cost and embargo difficulties forced them to turn to West European firms, a decision largely responsible for delays. (S)

Financing the Games

The Soviet Union stands to gain substantially from hosting the 1980 Summer Games, most obviously simply by staging a successful Olympics. Much will depend on how the USSR handles the games. If it is unable to cope with the foreign tourists, Soviet society could come off badly. Moscow clearly is aware of this possibility and counts on avoiding it through an all-out construction program and crash training courses geared to catering to Western tastes and needs. The other major potential pitfall will be the degree of interaction of Soviet and Western citizens. How closely the Soviets can control this interaction remains a question mark. (S)

From a cost standpoint the net economic outlay is small. Revenue programs such as the national lottery should help to recover the 200-million-ruble direct cost of Olympic sports facilities. Based on an accounting model of known and estimated hard currency cash flows and fairly conservative assumptions regarding residual tourism earnings after the games, the Olympic effort should be a net revenue generating project for the USSR. Our calculations indicate Moscow could break even—on a discounted cash flow basis—on its foreign costs as soon as 1980. Revenues are being maximized largely through insistence on prepayments of rights, fees, and accommodations by tourists while expenditures are being held down through the use of low-cost Western credits. (S)

The indirect costs of hosting the games, however, may be considerably greater. For the most part the indirect costs are intangible and cannot be measured. As already noted, emphasis on the Olympics has been at the expense of other programs, especially allocating construction resources and mobilizing and training labor. (U)

Sources of Revenue. The Soviets stand to earn considerable income, in both hard and soft currencies, from the Olympics. In line with its goal to make the games as self-supporting as possible, the Olympiad-80 Organizing Committee is raising revenue under a set of

programs very much as was done in Montreal and Munich. Like the Olympic expenses, most revenue will be in rubles or other East European currencies. The largest earner of soft currencies has been a series of lotteries—"Sprint" in the Soviet Union and "Sportlotto" in Hungary, Czechoslovakia, and Bulgaria. By the end of 1978 these lotteries had already raised close to 200 million rubles, an amount exceeding the Soviet estimate of domestic outlays for Olympic-related sports facilities. Roughly 20 percent of the 5.8 million event tickets for the games are being offered to East European visitors; this sale should bring in about 10 million rubles. Soviet organizers are forgoing substantial additional revenue by subsidizing the 4.1 million tickets set aside for Soviet spectators. These tickets will be distributed through trade unions, enterprises, and collective farms at a 70-percent discount from regular prices, which the Soviets claim are geared to Western incomes and thus beyond the means of ordinary Soviet citizens. (c)

But in terms of the number and extent of promotions, the bulk of the Olympic revenue effort has been directed toward hard currency countries and their tourists. At present, the Soviets should recover roughly half of their hard currency outlays of \$500 million with Western revenues (table 3). (e)

The Soviets will collect more than \$100 million from broadcast rights in the West alone. The most publicized of these deals is the 1977 contract between Gosteleradio and the National Broadcasting Company, which has exclusive US broadcast rights for the games. The \$87 million agreement provides the Soviets with \$52 million for the construction and equipping of the television and radio center at Ostankino plus a \$22 million payment for broadcast rights (another \$13 million rights fee was paid directly by NBC to the IOC). These payments are being made in four yearly installments, the last in 1980, and cover all of NBC's financial commitment. None of NBC's television equipment is to be left behind. The Organizing Committee is sealing smaller deals with TV networks elsewhere, such as Eurovision in Europe (\$20 million), Japan (\$9 million), and secondary markets in Asia, Africa, and Australia. (e)

Table 3

Million US\$

USSR: Anticipated Olympic Hard Currency Earnings

Total	250
Broadcast rights	103
United States	74
Eurovision	20
Japan	9
Tourist	77
Olympic tickets	7
Intourist tour package	30
Aeroflot receipts	30
Miscellaneous receipts	10
Commemorative coins	50
Official supplies/licensing fees	15
Official souvenirs	5

Foreign spectators will account for another large block of hard currency earnings—perhaps \$65-70 million. Most of the 80,000 non-Communist tourists expected, including all US visitors, are being required to buy an all-inclusive package deal that includes accommodations, meals, and tours. The 15-day US package will cost \$525 excluding air fare. We assume other Western tourists, mostly Europeans, will accept a less extensive package of about \$350. These revenues, due in full to Intourist by the end of 1979, will total more than \$30 million. Tourists will undoubtedly make miscellaneous purchases during their stay (souvenirs, extra meals, and the like). We assume sundry purchases will average \$150 per person per trip for Americans and \$100 for other Westerners, for a total of close to \$10 million. Our estimate of average sundry purchases may be overly conservative. Even with substantially higher average daily outlays, however, the totals would not change appreciably—raising the average tourist miscellaneous expenditures to \$25 a day would add no more than \$30 million or so to overall receipts. (e)

The USSR also requires that at least one-half of the US tourists fly Aeroflot to and from the USSR. If one-third of other Western tourists also fly on the Soviets' "Official Olympic Carrier," at prevailing market fares the Soviets would take in just under \$30 million in hard currency. Aeroflot originally planned to have a large number of the IL-86s—the Soviet version of the Airbus with a capacity of 350—available for international routes. Although the current model of the IL-86 is not capable of long-range Trans-Atlantic service, new versions of the IL-62 are available in sufficient quantities to handle the anticipated passenger load.

(c)

As main agents for foreign visitors, Intourist and the Central Council for Tourism will distribute the 1.7 million event tickets allocated to all foreigners. The Soviets expect about 600,000 of these tickets, priced on average at \$12, will be bought by tourists from hard currency countries, bringing the Soviets \$7 million.

(c)

The Organizing Committee is also overseeing the sale of silver, gold, and platinum Olympic commemorative coins. In late 1978, the Soviets reached agreement with several Western customers including Occidental Petroleum Company and Lazard Freres et Cie. of France for the sale—on a fixed price basis—of \$200 million in ruble denominated coins. Sales have been less than anticipated, however, and probably will not exceed \$50 million, the amount sold under the Montreal coin program. In September 1979, moreover, the USSR indicated that it had unilaterally canceled its shipments of coins to the West because of the rapid runup in Western metals prices. In all, the Committee may make about \$5 million on the sales of medals, special sets of stamps for collectors, and some 2,800 miscellaneous souvenirs. (c)

Foreign firms—primarily Western—have contributed cash, sports equipment, and other goods to the Olympics as noted earlier. We believe gross cash receipts from these contributions may total \$15 million. Ingosstrakh, the Soviet insurance enterprise, will insure foreign contestants, officials, and journalists during their stay in the Soviet Union; coverage will apply to cars, TV gear, and sports equipment as well as personal items. Total premiums, however, probably will be small, at best a few million dollars. (c)

The Soviet Union cannot expect to earn much hard currency from Third World and East European tourists since most will settle their bills in soft currencies. Among East Europeans, only Yugoslav citizens may be required to pay in hard currency.⁸ (c)

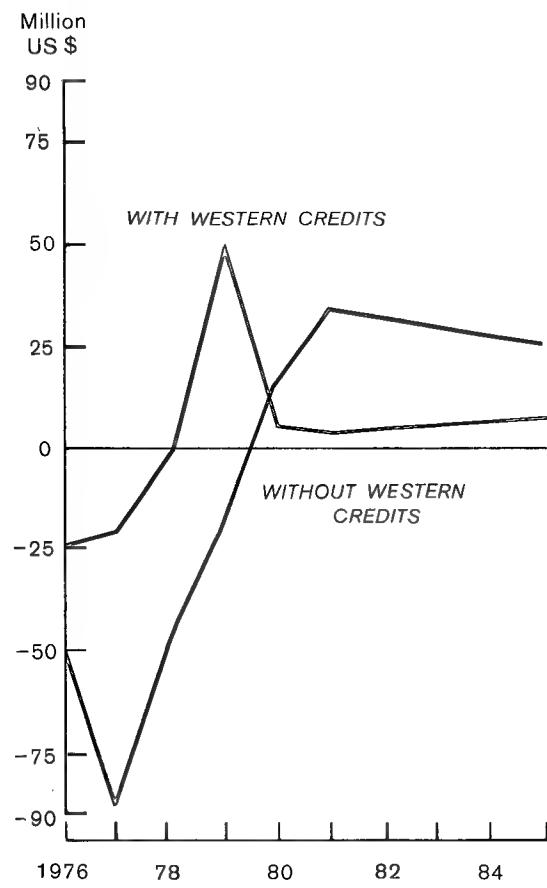
Balancing Costs and Revenues. The Soviets have been able to keep hard currency outlays to a minimum through extensive use of low-cost credits and requiring that revenues be prepaid, effectively shifting most of the Olympic payments burden beyond 1980, when increased tourist revenue will be available to offset loan payment schedules. On the revenue side virtually all receipts related to the Olympics should be in hand by the time the games begin. The last \$5 million payment for US broadcast rights is due in April, while package tour fees for accommodations are due by the end of 1979. (c)

⁸ Most of those who will be required to pay in hard currencies can be expected to bring in far less revenue than Western travelers because of (1) greater use of nonair transportation, such as train, bus, or car, to the Soviet Olympic cities, (2) the use of less expensive accommodations such as camping grounds and student hostels rather than hotels, and (3) the purchase, on average, of less expensive event tickets. (u)

~~Confidential~~

**USSR:
Estimated Net Hard Currency
Olympic Flows**

Figure 10



Our calculations show that next year Moscow will essentially break even on a cash flow basis and, between 1981 and 1985, will show a net profit. We believe our assumptions are generally conservative with respect to post-Olympic tourism earnings. Not unless post-Olympic tourist utilization drops below 25 percent will Moscow experience a net hard currency cash drawdown. We also ran through an alternative calculation to measure the saving from utilizing Western credits. Without use of Western credits, the Soviets would have had additional outlays of nearly \$70 million in 1977 alone and probably would not break into the black until after 1985. (c)

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Appendix A

USSR: Western Suppliers for the Olympics

	Contract Value (Million US \$)	Comments
France		
Contracts		
Sefri	120.0	Prime contractor for Kosmos Hotel.
Thompson CSF	40.6	TV cameras/communications units.
Sodetag TAI	18.6	TASS computer system.
IBM Trade Development	10.9	Computer.
Standard Elekrik, Loven A.G.	NA	
Official suppliers		
Sarniege		Gym mats.
Bat-Taraflex		Synthetic flooring.
Kodak-Pathe		Color film photographic equipment.
Promat		Printing equipment.
West Germany		
Contracts		
Satzgitter A. G., Hermann Ruetter GmbH	84.8	Prime contractors for Sheremet'yevo Airport passenger terminal.
Thyssen	6.6	Passenger camps for Sheremet'yevo Airport.
Siemag Rosen Raimer	2.8	Luggage handling systems for Sheremet'yevo Airport.
Osram GmbH	NA	Outdoor stadium lights.
Bosch Fernseh	NA	Segmented helial scan videorecorder.
Maschinenfabrik Herbert Kannegger	5.9	Laundry equipment.

	Contract Value (Million US \$)	Comments
C. Voight Sofhub		
NA		
Rekortan playing surface for training stadiums.		
Ortmann GmbH, Kuppersbusch	NA	Kitchen equipment for the Olympic village.
Wala	NA	Hairdressing salons for the Olympic Village.
Dinakord	NA	Equipment for Olympic Village discotheque.
Daimler-Benz	NA	Twelve service stations on auto routes to Moscow.
Daimler-Benz	NA	Sale of luxury buses, police cars, and ambulances.
Official suppliers		
Adidas		Shoes, sportswear.
J. F. Adolf A.G.		Artificial trim for hockey fields.
Ernst Spieth		Rifle targets and shooting equipment.
Magirus-Dentz		Buses.
Gail A.G.		Ceramic tiles.
Intorg		Duplicating equipment.
IPS		Office equipment.
Zanders Feinpapiere GmbH		Paper products.
Streiff Consulting GmbH		Building equipment for lights.
Rolf H. Dittmeyer		Fruit juices.
R. Marguardt GmbH, Atlas Verlag		Right to use Olympic logos on products marketed in Western Europe.

Appendix A

USSR: Western Suppliers for the Olympics (continued)

	Contract Value (Million US \$)	Comments
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Japan

Contracts

Iwasaki Electric Company	3.0	Production line for high-intensity bulbs for stadium lights.
Nippon Electric Company	17.0	Minicomputers, television relay facilities.
Hitachi Ltd.	0.3	Elevators for Tallinn TV towers.

Official suppliers

Tackikara Co. Ltd.	Basketballs.
Myojo Rubber Manufacture Co. Ltd.	Volleyballs and water polo balls.
Asics Corp.	Volleyballs nets.
R. K. Mizuno Sporting Goods Ltd.	Uniforms.
Nippon Kogaku KK	Photographic equipment and repair shops.
Nisso Bocki	Umbrellas.
Shin-Jidai Publishing Company	Right to "Moscow 1980 Olympic" logos.

United States

Contracts

Minnesota Mining & Manufacturing	2.2	Tartan track.
Hewlett-Packard	0.9	Lab drug testing equipment.
NCR	0.7	Computer system for Kosmos Hotel.
American Science and Engineering	NA	Baggage inspection equipment for Sheremet'yev Airport.

	Contract Value (Million US \$)	Comments
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Office suppliers

Coca-Cola	\$6 million for rights to distribute soft drink, \$2.5 million for a bottling plant (to be constructed by the Seitz company, a West German firm), and \$1.5 million for concentrate.
Hind Wells Inc.	Swimming and water polo equipment.
Anti Manufacturing Company	Swimming pool.
Ampro Corp.	Landing pits.
Levi Strauss	Jeans and windbreakers for Soviet personnel and officials.
Ampex Corp.	Videotape recorders.
Pitney Bowes	Postal Equipment.
Mr. Wrigley, Jr. Company	Chewing gum.
Image Factory Sports	Merchandising rights to Olympic insignia and mascot.

United Kingdom

Contracts

International Computers Ltd.	2.0	System for Olympics results service.
Rank Xerox	2.5	Copiers and duplicating equipment.
Marconi Instruments Ltd.	1.5	Automatic television quality monitoring equipment.
EMI Sound and Vision Equipment Ltd.	0.9	Electronic equipment.
Multitone Electric Company	1.2	Digital paging systems.
Edgar Pickering Ltd.	2.1	Carpet-making machinery.

Appendix A

USSR: Western Suppliers for the Olympics (continued)

	Contract Value (Million US \$)	Comments
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Official suppliers

Cantabrian Trust House	Track and field equipment.
Bridgeport-Bundry Ltd.	Sports nets.
Roundtree Mockintosh	Confectionary product.

Italy**Official suppliers**

Monds Rubber SpA	Track coverings.
Teodoro Carneselli SpA	Training devices.
Techno	Kitchen, catering, and bar equipment.
Olivetti SpA	Typewriters and accessories.

Sweden**Contracts**

L. M. Ericson	5.0	AKB 20 Telex system.
Perfection	NA	Film shooting and sound tracking equipment.

Austria**Contracts**

Siemens Osterreich	4.8	TV console equipment.
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Official suppliers

Kornelius Gmbh	Soda fountains, cup vending machines.
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	Contract Value (Million US \$)	Comments
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Belgium**Contracts**

Siemens A.G. Osterreich	4.0	Intercom system.
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Switzerland**Official suppliers**

Perfectone	Soundtrack equipment.
Swiss Timing Ltd.	Timekeeping.

Canada**Official suppliers**

Cooper Group, Lufkin Division	Measuring tapes.
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Netherlands**Official suppliers**

Schelde Interna- tional	Volleyball and basket- ball equipment.
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Appendix B

Basic Assumptions in Estimating Olympic Hard Currency Flows

Revenues

Broadcast rights totaling \$103 million:

- US contract calls for \$74 million in payments (\$18 million in 1977, \$24 million in 1978, \$20 million in 1979, and \$12 million in 1980).
- The Japanese deal calls for four equal payments totaling \$9 million over 1977-80.
- Eurovision negotiated a \$20 million contract in 1978, presumably with payments due in 1979 and 1980.
- The value of contracts in other smaller markets has not been reported. Moscow reportedly has already signed a deal with Australia and is currently negotiating LDC markets rights. (u)

There will be a net addition, countrywide, of 15,000 new hotel beds suitable for Western (hard currency) tourists. A 90-day tourist season at 50-percent occupancy will mean, on average, an extra 680,000 tourist days each year. (An average Western tourist spends \$100 a day on air fare, accommodations, meals, and the like, the prevailing Intourist rate.) (u)

The Soviets will earn an estimated \$50 million overseas from the sale of Olympic commemorative coins; half of this income will be in 1979, half in 1980. (u)

The Soviets will make \$15 million from official suppliers and sponsors fees which on an individual

basis range from \$100,000 to \$250,000. (The value of in-kind donations made by official suppliers is only referenced if explicitly mentioned in source material.) (u)

The Soviets will earn \$5 million from the sale of miscellaneous Olympic souvenirs—licensing and royalty fees—split equally between 1979 and 1980. (u)

Moscow stands to take in \$7 million from ticket sales to Westerners. (u)

Expenses

All deals under \$10 million are assumed to have been paid for in cash within six months of contract signing. Deals of more than \$10 million are assumed to be on credit, the loan amortized over eight years at 7.25-percent interest. A 15-percent downpayment is included, with payments split 5 percent at signing and 10 percent at delivery. (u)

Discount Rate

Outlays and receipts were discounted to 1976 prices at 8 percent to adjust for inflation and the time value of money. The rate approximates to the cost of capital in the West. (u)

Figure 11

